




*Newconex Holdings
Limited*

12th ANNUAL REPORT
1973



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NEWCONEX HOLDINGS LIMITED

HEAD OFFICE: Ste. 4003 (P.O. Box 40), Toronto-Dominion Centre, Toronto, Canada M5K 1B7

AUTHORIZED CAPITAL	-	-	-	-	-	-	-	-	-	4,000,000 shares, par value \$1.00
ISSUED	-	-	-	-	-	-	-	-	-	2,082,425 shares, par value \$1.00

DIRECTORS

J. IAN CROOKSTON	- - - - -	Toronto, Canada
J. GERALD GODSOE, C.B.E., Q.C., LL.D.	- - - - -	Toronto, Canada
DR. WILLIAM F. JAMES	- - - - -	Toronto, Canada
J. D. LEITCH	- - - - -	Toronto, Canada
D. O. LLOYD-JACOB	- - - - -	London, England
BRYCE R. P. MACKENZIE, Q.C.	- - - - -	Toronto, Canada
MAJ.-GEN. A. BRUCE MATTHEWS, C.B.E., D.S.O., E.D., C.D.	- - - - -	Toronto, Canada
J. D. MCCALL	- - - - -	London, England
M. E. RICH	- - - - -	London, England
WILLIAM A. ROBINSON, D.S.O.	- - - - -	Toronto, Canada

OFFICERS

[illegible]

BANKERS

THE TORONTO-DOMINION BANK

SOLICITORS

FASKEN & CALVIN Toronto

AUDITORS

DELOITTE, HASKINS & SELLS Toronto

TRANSFER AGENT AND REGISTRAR

CANADA PERMANENT TRUST CO.

Toronto, Montreal, Winnipeg and Vancouver

NEWCONEX HOLDINGS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

To the Shareholders,
Newconex Holdings Limited:

Net income for the year ended June 30, 1973 was \$1,077,107 or 52 cents per share, which compares with \$1,094,286 or 53 cents per share for the previous fiscal year.

The statement of income has been revised to include realized net capital gains on investments with other income. In recent years these gains have been reported as an extraordinary item of income. The efficient management of an investment portfolio requires the occasional substitution of investments and, as a result, the amount of realized capital gains can vary considerably from year to year. However, we believe that this new format gives a more realistic presentation of the annual results.

Revenues increased during 1973 by \$140,510 over 1972. However, expenses were also higher, mainly as a result of an increase in exploration expenditures written off during the current year. As previously reported, the Company only took over the responsibility for financing the Canadian Group's exploration activities as of January 1, 1972.

Our industrial subsidiary, Vancouver Equipment Corporation Limited (Vaneco), a distributor of heavy equipment mainly in British Columbia, reported excellent results in spite of the fact that two of its major equipment distributorships were terminated in the latter half of the 1972 fiscal year. The remaining accounts did well in 1973 and several new equipment lines were added, which should provide Vaneco with a solid operating base for future years. Current operations, however, have been hampered by a strike at one of its major equipment suppliers and by the railway strike. The minority interest in the common share equity of Vaneco was acquired by the Company during the current year.

In June 1973 the Company paid a dividend of 21 cents per share. The dividend for the previous fiscal year was 18 cents per share.

The consolidated net assets of the Company at June 30, 1973, including marketable securities at market values, amounted to \$19,233,000 or \$9.24 per share, which compares with \$8.62 per share at June 30, 1972.

Exploration activities during the year ended June 30, 1973 included the appraisal of numerous projects and proposals, the examination of properties, diamond drilling of company-owned and optioned properties, company-sponsored and syndicated prospecting programs, and the acquisition of properties by staking.

Of some 14 properties examined in the field, options were taken on three, all in British Columbia. Claims were staked in the general Sustut Peak area of British Columbia, where a copper find was

reported recently by another company, and an interest is owned in claim groups staked in the Merritt, Canim and Shiko Lakes areas through syndicate participation. Eleven claim groups were also staked in the Amos-La Sarre area as a result of geophysical information published by the Quebec Department of Natural Resources.

Exploration work carried out on the above properties included geological, geochemical and geophysical surveys, and, in some cases, trenching or diamond drilling. Drilling was carried out on the Lepinski option at Cache Creek, B.C., jointly with Dome Exploration (Canada) Ltd., and at Pine Point, N.W.T., in partnership with Conwest Exploration Co. Ltd. Both programs yielded sub-marginal metal values. On our own account, the Canadore option at Sturgeon Lake, Ontario, and seven electrical conductors in the Amos-La Sarre area were drilled. Results of this work were negative except for a property near Amos where marginal base metal values were encountered. This occurrence is still under investigation.

At present the results of three reconnaissance programs in British Columbia and one in Alaska are being reviewed, and it is anticipated that further work will be warranted in some areas.

The Directors wish to express their appreciation of the cooperation and loyal efforts of all members of the Company's staff.

On behalf of the Board of Directors,

W. A. Robinson,
President.

September 10, 1973.

NEWCONEX HOLDINGS

(Under The Business

CONSOLIDATED BALANCE SHEET

(with 1972 figures)

ASSETS

Current Assets:

	1973	1972
Cash and demand deposits	\$ 2,427,110	\$ 2,776,343
Dividends and interest receivable	32,192	29,867
Accounts, notes and contracts receivable	1,459,414	1,140,011
Trading securities — at the lower of average cost or market (Note 2)	1,588,977	1,214,807
Inventories — at the lower of cost or net realizable value	4,610,250	3,535,579
Prepaid expenses	45,035	46,990
	<u>10,162,978</u>	<u>8,743,597</u>

Contracts Receivable — less portion included in current assets	<u>—</u>	<u>71,312</u>
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Investments — at cost:

Marketable securities (Note 2)	11,007,423	10,988,081
Securities without quoted market value	454,590	454,590
	<u>11,462,013</u>	<u>11,442,671</u>

Property, Plant and Equipment — at cost	1,544,643	1,176,039
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Less accumulated depreciation	543,630	477,511
	<u>1,001,013</u>	<u>698,528</u>

Mining Properties Under Investigation

	<u>564,163</u>	<u>507,495</u>
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	<u><u>\$23,190,167</u></u>	<u><u>\$21,463,603</u></u>
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See accompanying notes

INGS LIMITED

Corporations Act, Ontario)

SHEET AS AT JUNE 30, 1973

for comparison)

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities:	1973	1972
Bank loans (Note 3)	\$ 1,984,000	\$ 563,000
Accounts and contracts payable and accrued charges (Note 3)	2,793,670	2,487,868
Income taxes	227,830	142,972
Dividend payable	—	374,116
	<u>5,005,500</u>	<u>3,567,956</u>
Long-Term Liabilities:		
Contracts payable — less portion included in current liabilities (Note 3)	56,097	87,433
Bank loan — less portion included in current liabilities	130,691	142,000
	<u>186,788</u>	<u>229,433</u>
Minority Interests in Subsidiary Companies	—	294,551
Shareholders' Equity:		
Capital stock (Note 4):		
Authorized — 4,000,000 common shares of a par value of \$1 each		
Issued and fully paid — 2,082,425 shares (1972 — 2,078,425 shares)	2,082,425	2,078,425
Contributed surplus (Note 4)	8,069,735	8,055,735
Retained earnings	7,845,719	7,237,503
	<u>17,997,879</u>	<u>17,371,663</u>
Approved by the Board:		
(Signed) W. A. Robinson, Director.		
(Signed) J. G. Godsoe, Director.		
	<u>\$23,190,167</u>	<u>\$21,463,603</u>

financial statements.

NEWCONEX HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF INCOME

For the Year Ended June 30, 1973

(with 1972 figures for comparison)

	1973	1972
Realized capital gains on investments (Notes 9 and 10)	\$ 851,682	\$ 699,982
Dividends	442,330	520,035
Profit on realization of trading securities	190,735	149,348
Management and technical fees received	21,500	68,700
Interest and sundry revenue	71,014	46,802
Income of industrial subsidiaries before income taxes (Note 5)	873,453	825,337
	<u>2,450,714</u>	<u>2,310,204</u>
Deduct:		
Administrative and general expenses	404,422	400,327
Exploration expenditures written off	265,243	61,783
Write-down of trading securities to market value	269,737	260,254
	<u>939,402</u>	<u>722,364</u>
Income before provision for income taxes	1,511,312	1,587,840
Provision for income taxes (Note 10)	434,205	445,538
	<u>1,077,107</u>	<u>1,142,302</u>
Minority interests in earnings of subsidiaries	<u>1</u>	48,016
Net income	<u>\$1,077,107</u>	<u>\$1,094,286</u>
Earnings per share	<u>52¢</u>	<u>53¢</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the Year Ended June 30, 1973

(with 1972 figures for comparison)

	1973	1972
Retained earnings at beginning of the year	\$7,237,503	\$6,517,333
Net income	1,077,107	1,094,286
	<u>8,314,610</u>	<u>7,611,619</u>
Dividend	437,309	374,116
Excess of cost of shares of industrial subsidiaries over the book value of the proportionate net assets as at the date of acquisition	31,582	—
	<u>468,891</u>	<u>374,116</u>
Retained earnings at end of the year	<u>\$7,845,719</u>	<u>\$7,237,503</u>

See accompanying notes to financial statements.

NEWCONEX HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended June 30, 1973

(with 1972 figures for comparison)

	1973	1972
Source of Funds:		
Provided from operations	\$1,168,060	\$1,166,539
Book value of marketable securities sold	3,445,809	4,037,786
Decrease in contracts receivable	71,312	294,540
Sales of property, plant and equipment	9,485	5,605
Issue of capital stock	18,000	—
Decrease in working capital	18,163	—
	<u>\$4,730,829</u>	<u>\$5,504,470</u>
Application of Funds:		
Purchases of marketable securities	\$3,465,151	\$2,449,269
Purchases of property, plant and equipment	402,923	235,611
Decrease in contracts payable	31,336	256,000
Deferred exploration expenditures	56,668	85,897
Dividend	437,309	374,116
Decrease (increase) in minority interests	294,551	(18,976)
Decrease (increase) in long-term bank loan	11,309	(142,000)
Excess of cost of shares of industrial subsidiaries over the book value of the proportionate net assets as at the date of acquisition	31,582	—
Increase in working capital	—	2,264,553
	<u>\$4,730,829</u>	<u>\$5,504,470</u>

See accompanying notes to financial statements.

AUDITORS' REPORT

To the Shareholders of
Newconex Holdings Limited:

We have examined the consolidated balance sheet of Newconex Holdings Limited as at June 30, 1973 and the consolidated statements of income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1973 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving effect to the change in accounting presentation for realized capital gains on investments, as explained in Note 10 to the financial statements.

Toronto, Ontario,
July 20, 1973.

Deloitte, Haskins & Sells,
Chartered Accountants.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — JUNE 30, 1973

1. The accompanying consolidated financial statements include the accounts of all subsidiary companies. The parent company has an investment in shares of subsidiaries of \$494,000 and advances of \$5,954,000 which in the consolidated accounts are replaced by the underlying net assets of the subsidiaries.

Effective July 1, 1972, the company acquired the minority interest in its industrial subsidiaries.

2. The market value as at June 30, 1973 of trading securities was \$1,600,000 (1972 — \$1,225,000) and of marketable securities was \$12,232,000 (1972 — \$11,525,000). These values do not reflect a provision for income taxes of \$200,000 (1972 — \$3,000) which may be exigible on the realization of these securities.

3. Bank loans to the extent of \$975,000 (1972 — \$100,000) are secured by an assignment of accounts receivable of an industrial subsidiary.

Accounts payable include amounts totalling \$1,522,594 (1972 — \$1,330,383) owing on and secured by specific units of equipment inventory.

Contracts payable totalling \$86,907 (1972 — \$276,538) are secured.

Certain industrial subsidiaries are contingently liable as guarantors of customers' notes discounted totalling \$1,282,242 (1972 — \$994,762).

4. Under the stock option plan for employees of the company, 56,500 common shares are presently reserved. Under this plan, as at June 30, 1973, there were outstanding options on 38,500 shares, exercisable at various dates, at prices ranging from \$4.41 to \$6.75, the last of which expires in 1981. During the year, options were exercised with respect to 4,000 shares for a cash consideration of \$18,000, of which \$14,000 was credited to contributed surplus; no options were granted or expired.

5. The income from industrial subsidiaries before income taxes comprises the following:

	1973	1972
Sales	\$13,436,076	\$11,294,500
Cost of sales	10,748,855	8,865,754
Gross margin	2,687,221	2,428,746
Selling and administrative expenses	1,813,768	1,603,409
Income of industrial subsidiaries before income taxes	<u>\$ 873,453</u>	<u>\$ 825,337</u>

6. The consolidated statement of income includes:

Depreciation, 1973 — \$90,953; 1972 — \$72,253

Remuneration paid to the company's directors, officers and senior employees, 1973 — \$128,700; 1972 — \$144,500.

7. Investments in foreign securities are valued at cost, and have been shown in Canadian currency at the rates of exchange in effect at the time of purchase. The determination of the market values of such securities at the fiscal year end recognizes the then current exchange rates. Transactions in the consolidated statement of income have been converted at the rates of exchange prevailing at the dates of settlement.

8. Certain of the company's subsidiaries have available for application against their taxable income of future years, operating losses of approximately \$660,000 and accumulated exploration expenditures of approximately \$4,920,000. While the majority of the operating losses expire, for tax purposes, during the years 1975 to 1978, the accumulated exploration expenditures are available indefinitely. Any income tax reductions with respect to these operating losses and accumulated exploration expenditures will be recorded at the time of realization.

9. Realized capital gains on investments in 1973 include \$171,220 received with respect to the settlement of a holdback retained by the purchaser of the company's interest in a subsidiary in 1970.

10. In prior years, it was the company's practice to report its net income before and after "Realized capital gains on investments less income taxes thereon". During the current year the company has changed its method of presentation so that realized capital gains on investments are included with its other sources of income. The result of this change in method of presentation has been to eliminate the caption "Net income before realized capital gains on investments" which in 1973 would have been \$333,425 (1972 — \$500,304) and to transfer the income taxes related to these gains to the "Provision for income taxes" which in 1973 would have been \$326,205 (1972 — \$339,538). For comparative purposes, the 1972 figures have been restated on the same basis.

NEWCONEX HOLDINGS LIMITED

AND SUBSIDIARY COMPANIES

The Portfolios at June 30, 1973 included the following securities:

MARKETABLE SECURITIES

Canadian

70,000	Alminex Limited
50,000	Canadian Industrial Gas & Oil Ltd.
10,000	Canadian Superior Oil Ltd.
10,000	Conwest Exploration Company Limited
3,500	Dome Petroleum Limited
15,000	Dominion Foundries and Steel Limited
6,400	Falconbridge Nickel Mines Limited
\$25,000	HCR Realty Limited — 5½% Debentures — 1973 Series
1,500	Heitman Canadian Realty Investors — Trust Units
10,000	Hollinger Mines Limited
1,000	Home Oil Company Limited "Class A"
19,000	Home Oil Company Limited "Class B"
12,500	Imperial Oil Limited
17,500	The International Nickel Company of Canada Limited
50,000	Lornex Mining Corporation Ltd. (N.P.L.)
12,500	Ocelot Industries Ltd.
15,000	PanCanadian Petroleum Limited
40,000	Pine Point Mines Limited
28,000	Placer Development Limited
25,000	Rio Algom Mines Limited
12,550	Sherritt Gordon Mines Limited
10,000	TransCanada PipeLines Limited
20,000	Western Decalta Petroleum Limited

United States

5,000	American Airlines, Incorporated
20,000	American Metal Climax, Incorporated
10,000	The Babcock and Wilcox Company
6,000	Caterpillar Tractor Company
3,000	Chrysler Corporation
4,500	Exxon Corporation
3,500	Ingersoll-Rand Company
4,500	Monsanto Company
17,000	Newmont Mining Corporation
20,000	Phillips Petroleum Company
10,927	The Pittston Company
15,000	Texasgulf Inc.
3,000	Trans World Airlines, Incorporated
2,000	Westinghouse Electric Corporation

South African and Other

14,000	Blyvooruitzicht Gold Mining Co., Ltd.
50,000	Potgietersrust Platinums Ltd.
7,000	President Steyn Gold Mining Co., Ltd.
5,000	Queensland Mines Limited
2,000	West Driefontein Gold Mining Co., Ltd.
10,000	Winkelhaak Mines, Ltd.

SECURITY WITHOUT QUOTED MARKET VALUE

685,002	Coppermine River Limited
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CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the six months ended December 31, 1973
(Interim statement subject to audit)

	1973	1972
Source of Funds:		
Provided from operations	\$ 836,623	\$ 665,663
Sales of marketable securities	1,969,128	1,114,580
Decrease in agreements receivable	—	71,312
Sales of property, plant and equipment	—	5,735
Capital stock — options exercised	107,580	8,820
	<u>2,913,331</u>	<u>1,866,110</u>
Application of Funds:		
Purchases of investments	2,509,979	3,235,644
Purchases of property, plant and equipment	120,507	196,786
Deferred exploration expenditures	138,057	123,246
Decrease in long-term liabilities	18,883	64,734
Decrease in minority interest	—	246,551
	<u>2,787,426</u>	<u>3,866,961</u>
Increase (decrease) in working capital	<u>\$ 125,905</u>	<u>\$(2,000,851)</u>
Working capital — end of period	<u>\$5,283,383</u>	<u>\$3,174,790</u>



Newconex Holdings Limited

Interim Report

to the Shareholders

for the six months ended Dec. 31, 1973

POSTAL ADDRESS
P.O. Box 40, TORONTO-DOMINION CENTRE
TORONTO, ONTARIO
M5K 1B7

NEWCONEX HOLDINGS LIMITED

To the Shareholders:

We are pleased to report that, while 1973 was a difficult year for securities markets generally, the net value of the Company's assets at December 31, 1973, including marketable securities at market values, amounted to \$21,447,000 or \$10.18 per share, which compares with \$9.06 at December 31, 1972. The increase of \$1.12 per share is after giving effect to the payment of a dividend of 21 cents per share in June 1973.

The Consolidated Statement of Income and Retained Earnings as at December 31, 1973, with the corresponding 1972 figures for comparison, includes realized net capital gains on investments with other sources of income to conform with the presentation adopted in the audited accounts as at the last fiscal year end, June 30, 1973. On this basis, net income for the six months ended December 31, 1973 amounted to \$633,708, which compares with \$630,180 for the corresponding period of the previous fiscal year. The level of earnings was maintained during the current period despite substantially higher charges for exploration expenditures written off and the write-down of trading securities to market value.

During the three months ended December 31, 1973, your Company, jointly with Gold Fields Exploration Canada Limited, tested two properties in British Columbia by percussion drilling and one in Quebec by diamond drilling. Options were taken on two properties and four claim groups were staked in Quebec, and one property was optioned in British Columbia.

Drilling on our Figuery Township property in Quebec was suspended in October. A sulphide deposit carrying marginal base metal values was outlined on the property, but the occurrence is small and it is proposed to explore along strike at this time rather than at depth. To this end, two properties immediately to the east providing more than a mile of strike length have been optioned and are being geophysically surveyed at the present time. In October four claim groups were staked in the Senneterre area of Quebec on airborne electromagnetic data published by the Quebec Department of Natural Resources. It is expected several of these conductors, along with any indications found in Figuery Township, will be drilled early in 1974.

Toronto, Canada,
January 21, 1974.

W. A. Robinson,
President.

NEWCONEX HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

for the six months ended December 31, 1973
(Interim statement subject to audit)

	1973	1972
		(Note 2)
Income from investments and operations (Note 1)	\$1,442,849	\$1,152,508
Administrative and general expenses	212,593	185,576
Exploration expenditures written off	161,206	53,503
Write-down of trading securities to market value	173,842	33,538
	<u>547,641</u>	<u>272,617</u>
Income before income taxes ..	895,208	879,891
Provision for income taxes ...	261,500	249,711
Net income	633,708	630,180
Retained earnings — beginning of period	7,845,719	7,237,503
Retained earnings — end of period	<u>\$8,479,427</u>	<u>\$7,867,683</u>
Earnings per share	<u>30¢</u>	<u>30¢</u>

Notes:

- (1) Sales of industrial subsidiaries for the six months ended December 31, 1973 were \$7,505,045 (1972—\$6,441,421).
- (2) To conform with the presentation adopted in the Annual Report for the year ended June 30, 1973, the 1972 figures have been revised to include realized net capital gains on investments, before income tax thereon, with other income and to show separately exploration expenditures written off.